

City of Detroit

CITY COUNCIL

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TO: Graham W.J. Beal, Director
Arts Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director *ly.*

DATE: May 4, 2006

RE: 2006-07 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2006-07 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Tanya Stoudemire, Budget Department Team Leader
Roger Short, Interim Chief Financial Officer
Loren Lau, Chief Financial Officer -DIA
Kandia Milton, Mayor's Office

Arts Department – Detroit Institute of Arts

FY 2006-07 Budget Analysis by the Fiscal Analysis Division

The proposed General Funding Subsidy in the Mayor's 2006-2007 Proposed Budget is \$0, which is the same amount reflected in the fiscal year 2005-2006 budget. The proposed budget recommends \$292,000 in Capital Improvements to the Art Institute.

Bond Issue

The proposed \$292,000 for Capital Improvements is comprised of \$150,000 from a bond issue and \$142,000 from capital reinvestment. The \$150,000 represents the balance of a November 2000, voter authorized \$25.0 million in general obligation bonds for The Renovation and Expansion Project. The Proposed Capital Agenda for fiscal years 2005-06 through 2009-10 indicates these funds will be used on the North and South Wing Remediation. The Bond Issue history is detailed below.

00992 - Capital Improvement Bonds – DIA	FY 2005- 06 Budget	FY 2006-07 Recommended	Increase (Decrease)
Earnings on Investment	\$ 100,000	\$ 0	\$ (100,000)
Transfer from Other Funds	0	142,000	142,000
Sale of Bonds	4,700,000	150,000	(4,550,000)
Total	\$4,800,000	\$ 292,000	\$ (4,508,000)

Issues and Questions

1. The Renovation Budget increased by \$57.2 million above the original plan. Who is responsible for the additional cost to the project due to the environmental issues encountered during the renovations? If the City is responsible, will another bond issue be necessary?
2. Please provide a copy of the DIA's operating budget for the current fiscal year and the one projected for 2006-07.
3. How many employees does the DIA currently have budgeted and actually filled? What is the projected budget of positions for 2006-07?

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Attachment - (More detail on the DIA and the Founder's Society operating agreement from the Fiscal Analysis Division's 2003-04 budget report)

Arts Department – Detroit Institute of Arts

FY 2003-04 Budget Analysis by the Fiscal Analysis Division

The Detroit Institute of Arts (DIA) is the second largest municipally-owned museum in the United States and contains an encyclopedic art collection worth over one billion dollars. This art is displayed in more than one hundred galleries in a building complex of approximately 600,000 gross square feet on three levels and a basement. The complex is composed of the original building completed in 1927 and two subsequent major additions. These are the Ford Wing, built in 1966 and the Cavanaugh Wing, built in 1971. The facilities include a 1,200 seat Performing Arts Auditorium, a Lecture Hall with 388 seats, a Conservation Services Laboratory, a Research Library, a Museum Shop, two restaurants and staff offices.

The DIA's mission is to collect and hold in trust examples of the highest quality of fine arts from all times and cultures throughout the world.

Effective February 1, 1998, the DIA is being operated by the Detroit Institute of Arts Founder's Society, a non-profit corporation, under an operating agreement between the City of Detroit and the Founder's Society. The operating agreement is for 20 years with the option to renew in successive 10-year periods.

The general obligation bond appropriation is a result of voter authorization for \$25 million in 2000 specifically for capital improvements to the DIA. This is the second bond authorization for the DIA.

The first one, also for \$25 million was authorized by the voters in 1988 and was completely appropriated within the 2000-01 budget. The operating agreement says that the city should make its best effort to complete the transfer of these capital funds during the first 3 years of the operating agreement, and this was accomplished. This appropriation is budgeted in Non-Departmental, Agency 35, Appropriation 00992, Capital Improvement Bonds – DIA.

The DIA is under the jurisdiction of the Arts Commission and a Board of Directors. Pursuant to Section 7-301 of the City Charter, the Arts Commission is responsible for the maintenance and operation of the DIA, and will administer and monitor the performance of the Founder's Society. On an annual basis, the Arts Commission will evaluate the services provided by the Founder's Society under agreement and will provide a copy of such evaluation to the City Council and to the Founder's Society. The Arts Commission, along with the Mayor, has the authority to approve or disapprove Founder's Society's recommendations for a Director and Deputy Director of the DIA. The Board of Directors of the DIA consists of no more than 68 members who are appointed by the Mayor.

The Founder's Society's primary role under the operating agreement includes the following list of major responsibilities:

- Manage, preserve, maintain, and seek to improve through new acquisitions the city art collection (works of art owned by the city).

- Develop and present exhibitions and education programs to benefit the community, including programs that attempt to stimulate interest in art and participation in DIA activities by all sectors of the greater Detroit community.
- Complete a comprehensive inventory of the city art collection and update said inventory.
- Manage, preserve, maintain, and seek to improve the DIA building and the employee parking lot.
- Pursue additional sources of funding for the operations of the DIA.
- Be responsible for all operating expenses of the DIA.
- Use best efforts to solicit gifts and donations of works of art for the benefit of the DIA.
- Establish and maintain a disaster recovery plan.
- Establish and maintain risk management programs, safety programs, and other similar controls.
- Require the DIA Director, DIA Deputy Director, and 68 percent of its full-time employees located at the DIA building to reside in the city. In addition, the Founder's Society shall require at least one-third of the elected members of its board of directors, and at least one-fourth of the members of its board's executive committee (or any other board committee, acting as an executive committee), to be residents of the city.
- Be committed to increase the numbers of minority and women employees in the professional ranks of the DIA including, curatorial, education, art related and management positions.